

## Message Text

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13

ORIGIN EB-11

INFO OCT-01 AF-10 ARA-16 EUR-25 EA-11 NEA-10 ISO-00 AEC-11

AID-20 CEA-02 CIAE-00 CIEP-02 COME-00 DODE-00 FEA-02

FPC-01 H-03 INR-10 INT-08 L-03 NSAE-00 NSC-07 OMB-01

PM-07 RSC-01 SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00

/200 R

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APPROVED BY EB:ORF:FSE - GEORGE M. BENNSKY

EUR/RPE - MR. TARRANT

EB/ORF - MR. KATZ (SUBS)

FEO - MR. CONANT

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R 101424Z APR 74

FM SECSTATE WASHDC

TO AMEMBASSY BRUSSELS

AMEMBASSY LUXEMBOURG

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY BONN

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY OTTAWA

AMEMBASSY OSLO

AMEMBASSY TOKYO

USMISSION OECD PARIS

USMISSION EC BRUSSELS

INFO USINT ALGIERS

AMEMBASSY TRIPOLI

USINT BAGHDAD

AMEMBASSY KUWAIT

AMEMBASSY JIDDA

AMEMBASSY ABU DHABI

AMEMBASSY TEHRAN

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AMEMBASSY LAGOS

AMEMBASSY JAKARTA  
AMEMBASSY CARACAS  
AMEMBASSY LIBREVILLE  
AMEMBASSY QUITO

C O N F I D E N T I A L STATE 072419

KUWAIT PASS DOHA

E.O. 11652:DECLASSIFY DEC 31, 1981

TAGS:ENRG

SUBJECT:ECG - MEETING OF AD HOC GROUP ON ROLE OF  
INTERNATIONAL OIL COMPANIES.

REF: A) BRUSSELS 1563, B) STATE 62482, C) OECD PARIS 7643

1. SUMMARY: DISCUSSION FOCUSSED PRIMARILY ON CHANGING  
ROLE OF INTERNATIONAL OIL COMPANIES AND NEED TO CLARIFY  
HOW AND WHY THIS EVOLUTION OCCURRING. CONCERN EXPRESSED  
BY SEVERAL COUNTRIES THAT COMPANIES' LOSS OF CONTROL OVER  
DECISIONS ON PRICE AND VOLUME HAS RESULTED IN SHIFT IN  
THEIR ROLE REQUIRING GREATER "TRANSPARENCY" FOR COMPANY  
ACTIVITIES. SOME DISAGREEMENT AROSE OVER WHETHER GROUPS  
TERMS OF REFERENCE CALLED FOR PURELY DESCRIPTIVE REPORT  
OF PRESCRIPTIVE ONE. WHILE AGREEING THAT PAPERS PREPARED  
BY US, FRG AND ITALY WERE PRELIMINARY ONLY IT WAS DECIDED  
TO SYNTHESIZE THESE IN TO SINGLE DRAFT AND INCORPORATE  
COMMENTS MADE IN MEETING. ITALIANS UNDERTOOK PRODUCE  
NEW PAPER, WITH ASSISTANCE DENMARK AND OTHER INTERESTED  
GOVERNMENTS, TO BE CIRCULATED FOR COMMENT WITHIN TWO  
WEEKS. PAPER WILL BE CONSIDERED AT NEXT MEETING WHICH SET  
FOR 3 PM MAY 1 IN BRUSSELS. END SUMMARY.

2. AD HOC WORKING GROUP OF ECG ON ROLE OF INTERNATIONAL  
COMPANIES MET APRIL 2 AT EGMONT PALACE IN BRUSSELS UNDER

CHAIRMAN RISTAGNO OF LEAD COUNTRY ITALY. ALL ECG  
COUNTRIES WERE REPRESENTED EXCEPT BELGIUM AND LUXEMBOURG.

3. DISCUSSION FOCUSSED ON THREE PRELIMINARY PAPERS  
PREPARED BY U.S. ITALY AND FRG RESPECTIVELY ON EVOLVING  
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ROLE OF COMPANIES, "TRANSPARENCY" AND RELATIONS BETWEEN  
INTERNATIONAL AND NATIONAL OIL COMPANIES.

4. EVOLVING ROLE OF COMPANIES. THERE WAS GENERAL  
AGREEMENT THAT COMPANIES HAD LOST POWER OF DECISION ON  
CRUCIAL MATTERS OF PRICE AND LEVELS OF PRODUCTION. US  
REP J.KATZ STATED US VIEW THAT THIS DEVELOPMENT DUE TO  
MARKET FORCES ARISING OUT OF THE EMERGENCE OF A "SELLERS'

MARKET" CAUSED BY RELATIVE SCARCITY OF SUPPLY OF OIL.  
OUT OF THIS NEW SITUATION, A NUMBER OF ISSUES WERE POSED  
FOR CONSUMER GOVERNMENTS. AS STATED BY VARIOUS  
DELEGATIONS AT THE MEETING, THE MOST IMPORTANT OF THESE  
WERE PERCEIVED TO BE:

A. WHAT CAN CONSUMER GOVERNMENTS DO ABOUT IT AND  
HOW? SEVERAL SUGGESTIONS WERE PUT FORWARD:

--ESTABLISHMENT OF SOME JOINT PRODUCER/CONSUMER  
MECHANISM FOR FIXING PRICES AND PRODUCTION LEVELS  
(DENMARK).

--OIL IS PUBLIC UTILITY AND GOVERNMENTS SHOULD  
PLAY A MAJOR ROLE IN ITS CONTROL (NORWAY).

--MAJOR OIL COMPANIES WILL CONTINUE TO PLAY  
IMPORTANT ROLE IN OIL SUPPLY, EVEN IN PRODUCING  
COUNTRIES WHERE THEIR EXPERTISE WILL BE NEEDED,  
QUESTION THEN ARISES ABOUT ROLE COMPANIES CAN  
PLAY AND ROLE CONSUMER GOVERNMENTS WANT THEM TO  
HAVE (NETHERLANDS).

B. THE SYSTEM FOR ESTABLISHING LEVELS OF PRODUCTION  
AND PRICE IS NO LONGER SELF-GENERATING. CHANGES  
OCCURRING NOW ARE CAUSED BY NATIONALISM AT PRODUCTION  
AND CONSUMPTION ENDS OF OIL MARKET. CONSUMERS CAN EITHER  
LET SITUATION CONTINUE TO EVOLVE WITHOUT SUBSTANTIAL  
INTERFERENCE WHICH WILL PROBABLY LEAD TO INTERNATIONAL  
COMPANIES BECOMING "BROKERS" OR CAN SET UP SOME KIND OF  
INSTITUTION WHICH WILL CIRCUMSCRIBE ROLE COMPANIES CAN  
PLAY. LATTER COURSE HAS PROFOUND IMPLICATIONS, SINCE  
CONSUMER GOVERNMENTS WOULD, IN EFFECT, BE "NATIONALIZING"  
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OIL COMPANIES (IRELAND).

C. CHANGES IN ROLE OF COMPANIES ARE CONTINUING,  
ALONG WITH PERCEPTIONS NATIONAL GOVERNMENTS HAVE OF THEIR  
ROLE. ISSUE IS WHETHER THESE TWO EVOLVING SITUATIONS WILL  
BE CONDUCTIVE TO PROVIDING FOR THE WORLD'S ENERGY NEEDS  
IN THE FUTURE (US).

5. TRANSPARENCY. SEVERAL DELEGATES (DENMARK, NORWAY,  
ITALY, IRELAND AND JAPAN) INDICATED CONCERN AT INABILITY  
TO OBTAIN INFORMATION FROM COMPANIES ABOUT PRICE AND  
SUPPLY OF OIL, P  
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## Message Attributes

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**Concepts:** PETROLEUM INDUSTRY, COMMITTEE MEETINGS, BUSINESS FIRMS, FOREIGN POLICY POSITION, PRICE CONTROLS  
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**To:** BRUSSELS MULTIPLE  
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